

Why Physician Home Loans Fail – A Review



One of the nice things about the changes over the last decade or so in the publishing industry is that niche books which previously wouldn't have had a large enough audience (and thus enough profit) for a traditional publisher to publish can now be published. That's a win for authors and readers alike. Any financial book directed at physicians is by definition a niche book since physicians only make up something like 0.3% of the US population. The book I'm reviewing today, [Why Physician Home Loans Fail](#) by WCI advertiser Josh Mettle (that's his ad above this paragraph so we have an obvious conflict of interest, plus he gave me a great deal on a refinance a couple of years ago), is a niche within a niche. The book is extremely useful for those it is aimed at- doctors who will be buying a home within the next year, especially if they plan to use a "doctor mortgage loan."

The Awesome Foreword



Josh Mettle,
author

Josh came to me a couple of months before publication and asked me to write the foreword. In my foreword, I explained what regular blog readers already know- that when doctors exchange their scrubs for a business suit and step into the financial world, they are at a severe disadvantage. Although home ownership can be wonderful, both personally and financially, it's important to do it at the right stage of life for it to work out well. I have mixed feelings about


“doctor mortgages.” In some respects they’re wonderful in that they allow doctors to buy a home they can clearly afford despite not meeting traditional underwriting criteria. They also allow a doctor to use his income to fund retirement accounts or pay down high interest student loans instead of funding a down payment. However, they also often enable doctors to buy homes long before they really should (like residency.)

Summary of the Book

Mr. Mettle sees two big problems with doctors getting mortgages that he outlines in his introduction:

1. Most loan officers have precious little experience working with the unique financial situation of a physician &
2. Most physician financial situations are far more complicated than most doctors realize.

He also lifts the hood about the main reason that doctors run into issues with their mortgages- loan officers are trained and incentivized to say “Yes!” while underwriters are trained and incentivized to say “No!” Josh also, at my urging, added a great chapter on the rent vs buy conundrum. Josh, as a real estate professional and investor, is very pro-real estate as you might imagine. This chapter, however, adds balance to the book and provides warnings and examples of physicians who bought too much house.

Josh includes a chapter on getting all your ducks in a row  BEFORE hiring a realtor, and an entire chapter on physician mortgage loans, and their pluses and minuses. This is an important read. Many doctors I interact with don’t realize that a doctor-specific mortgage loan COSTS MORE than a conventional one. No free lunches. He does a great job explaining the interaction between points, fees, and interest rates.

The next three chapters deal with common home buying situations for physicians- the graduating medical student, the graduating resident, and the self-employed (1099) physician. If you fit one of these categories, the applicable chapter alone is worth the price of the book. The book finishes with a chapter about the closing, a chapter about common mistakes physicians make, and a summary chapter, followed by an appendix that contains typical mortgage loan paperwork.

Strengths of the Book

The book is only 124 pages and can easily be read in an hour or two. The entire book is physician-specific and is liberally sprinkled with actual, real-life horror stories that happened to doctors buying homes. You can learn a great deal from the mistakes of others.

Weaknesses of the Book

The initial draft of the book I saw was far too pro-home-buying. Between my foreword and Josh's chapter on buy vs rent, I think that's been fixed. The only other complaint I think someone could make is that the book is self-serving to its author. Not only does publishing a book help establish you as an expert in a field, but some might say all the horror stories in the book are included to subtly entice the reader to seek out a real expert on physician home loans when they might not need one. I have no doubt that part of the reason for writing a book like this is to increase his business. That's hardly a sin. The fact remains that it is the only book in this niche within a niche, so I guess Josh is THE expert on the subject at this point. And it's not like you're choosing between using a loan officer and not using a loan officer when you get a mortgage. You might as well get one who works regularly with people in your situation.

Pearls Before Doctors

A few pearls from the book to give you a taste of it:

I can name a half-dozen physician clients and friends who have taken six-figure losses and two who have taken seven-figure losses, buying right at the top of the market, before the real estate and mortgage meltdown of 2006-2007. That's a pretty big hole to dig yourself out of, regardless of your income bracket.

I advise my clients that pre-qualifying is just not enough and I recommend they obtain a full credit and income approval prior to falling in love with a home and writing an offer.

Traditionally, a physician home loan is a portfolio loan product, meaning that the bank or institution that is making the loan is actually going to keep the loan and retain the servicing of the loan. Since the bank is keeping the loan, it can make judgment calls in underwriting and assessing risk and can, therefore, take a more liberal approach with physicians than it would for other people, because it deems physicians less likely to default on the loan.

It's important to recognize whether your loan is a slam dunk that anyone can handle with their eyes closed, or if it has some additional complexity, such as relocation, closing with a contract before you have pay stubs, student loans going in or out of deferment, IBR, jumbo loan amount, or complicated employment situations.

Free Books!



Josh was gracious enough to provide me a review copy, as well as three signed copies of the book to give away to you. [Update: The drawing is over, sorry for those who didn't win.] If you didn't win, you can always just buy it on Amazon. At the time of this writing, the [Kindle Version](#) is \$9.99 and the [Paperback](#) is \$13.11.

Have you used a physician home loan? What problems did you run into? Do you think reading a book like this would have helped you avoid those issues? Comment below!